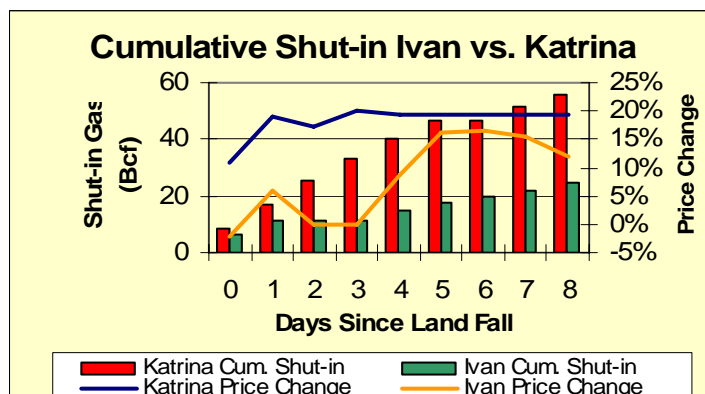
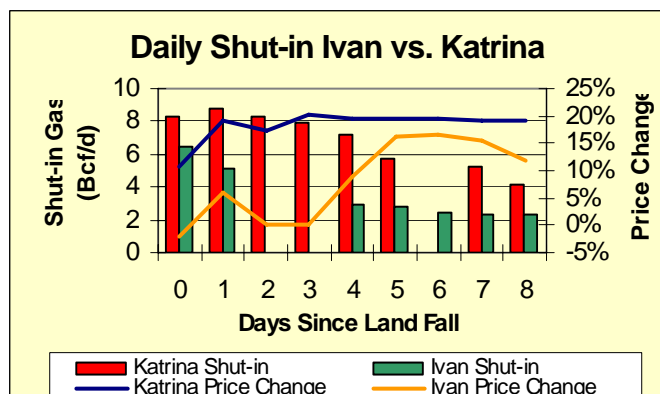
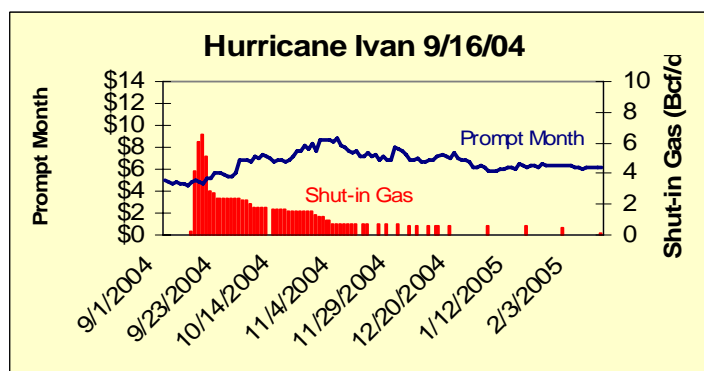
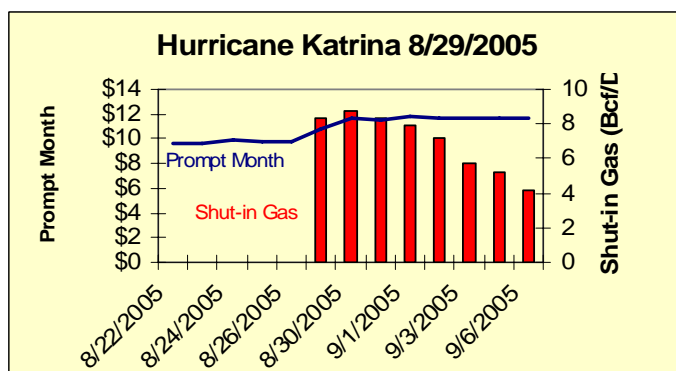


Katrina Seems To Have Not Caused Worst Case Scenarios

FERC's Office of Market Oversight and Investigations reported that Hurricane Katrina did not cause worst case type scenarios in natural gas production and electric transmission infrastructure.

Natural Gas

Worst case type scenarios concerning production and transmission infrastructure seem to have not occurred. Shut-in production has decreased in the eight days of reports since land fall from almost 9 Bcf/d to just over 4 Bcf/d. While next month futures prices have increased by 19 percent, the response is rather measured as compared to the aftermath of Hurricane Ivan given the higher shut-in amounts indicating the market may consider current damages to be of shorter duration. While cumulative shut-in gas due to Hurricane Katrina is over twice as much in this initial period following landfall, the relative price movement is just over 60 percent higher. Longer term price effects will depend on cumulative shut-in and potentially reduced storage injections. Lost production with Ivan was 172 Bcf. Preliminary storage injection estimates suggest a 30 Bcf fill compared to 80 Bcf experienced for this week in 2004.



Electricity

Entergy currently has 46 transmission lines (down from 54 Tuesday) and 36 substations (down from 46) out of service. About 415,000 Entergy customers are without power, down from 459,000 Tuesday. Limited restoration has been made in greater New Orleans.

Southern Company has 15 transmission lines (161 kV and over) out of service.

Florida has begun to receive tanker shipments of generator fuels. Gulfstream pipeline is operating at about 75% of capacity and FGT pipeline has been not been affected. The Florida Reliability Coordinating Council's generation capacity alert was still in place Tuesday. Florida said it will take "several weeks" to stabilize supply and demand.

Daily peak prices in the affected region declined about \$18 from last week's levels, except in Florida. Prices remain above 2004 levels (see Southeastern Electric Prices.) Nationally, forward contracts for calendar year 2006 leveled off after strong increases last week (see Electricity Prices, Calendar 06.)

Southeastern Electric Prices (Flats)

